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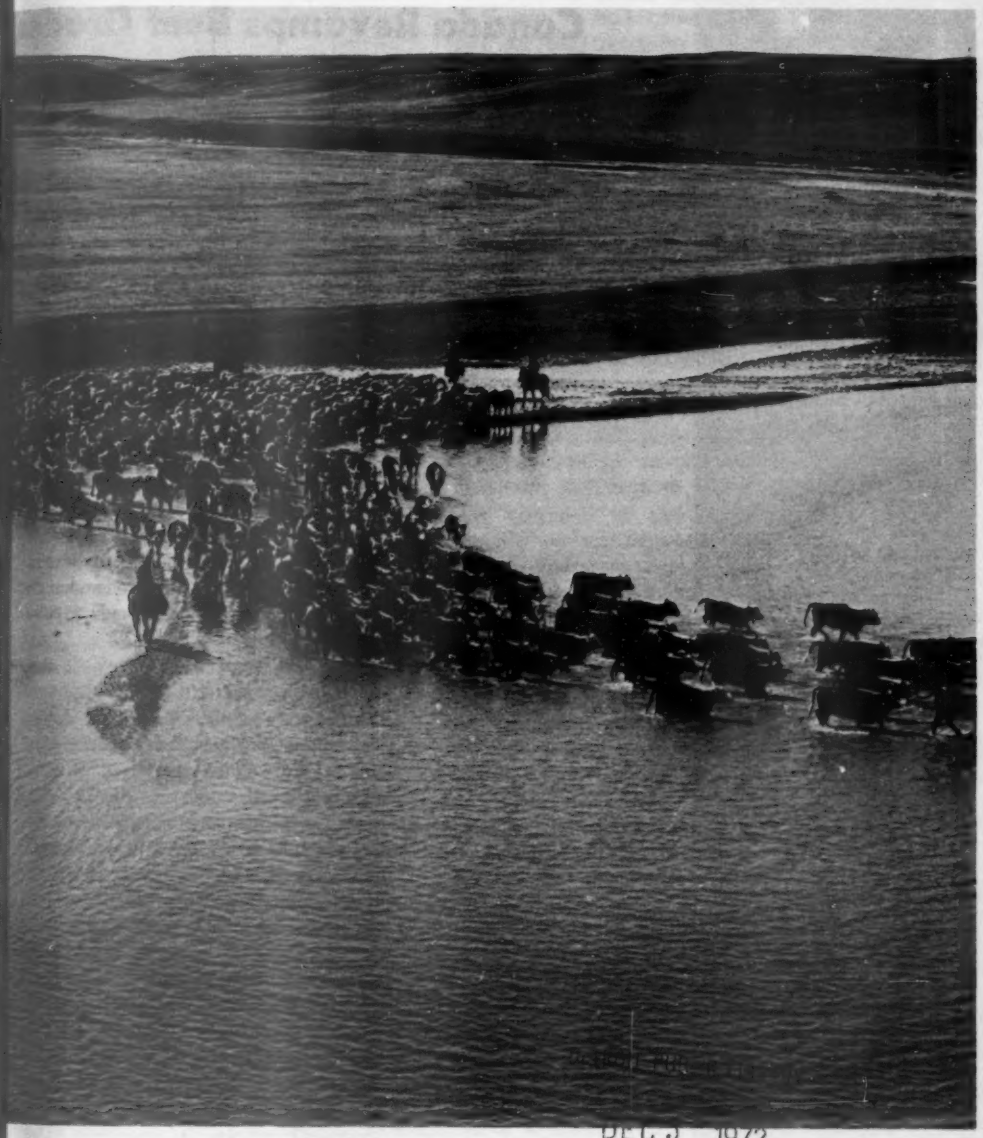

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TECHNOLOGY & SCIENCE

Canada's New Beef Grades

U.S. Exports to Italy

NOVEMBER 20, 1972

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In this issue:

2 Canada Revamps Beef Grades, Placing Stress on Lean Meat By W. Allan Anderson

4 The German Dilemma: How To Expand Meat Output in the Face of High Feed Prices

6 Peruvian Fishing Ban Lowers Prospects for World Output and Exports of Fish Oil By Alan E. Holz

7 Italy Remains a Major Market for U.S. Farm Exports Despite Heavy Competition By Omero Sabatini and James Lopes

10 U.K. Allows Application for Advance Fixing of EC Import Levies and Export Subsidies

11 Crops and Markets

This week's cover:

Canadian cattle on their way to summer pasture ford the Milk River in southern Alberta. Cattle production in Canada may change somewhat as a result of the country's new beef grading system, which gives higher grades than in the past to leaner dairy-type steers. For further information, see article beginning this page.

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Canada Revamps Beef Grades, Placing Stress on Lean Meat

By W. ALLAN ANDERSON
Office of the U.S. Agricultural Attaché
Ottawa

GROWING CONSUMER preference for leaner beef and pressure from Canadian cattlemen dissatisfied with previous beef grading practices have led Canada to adopt new beef grades.

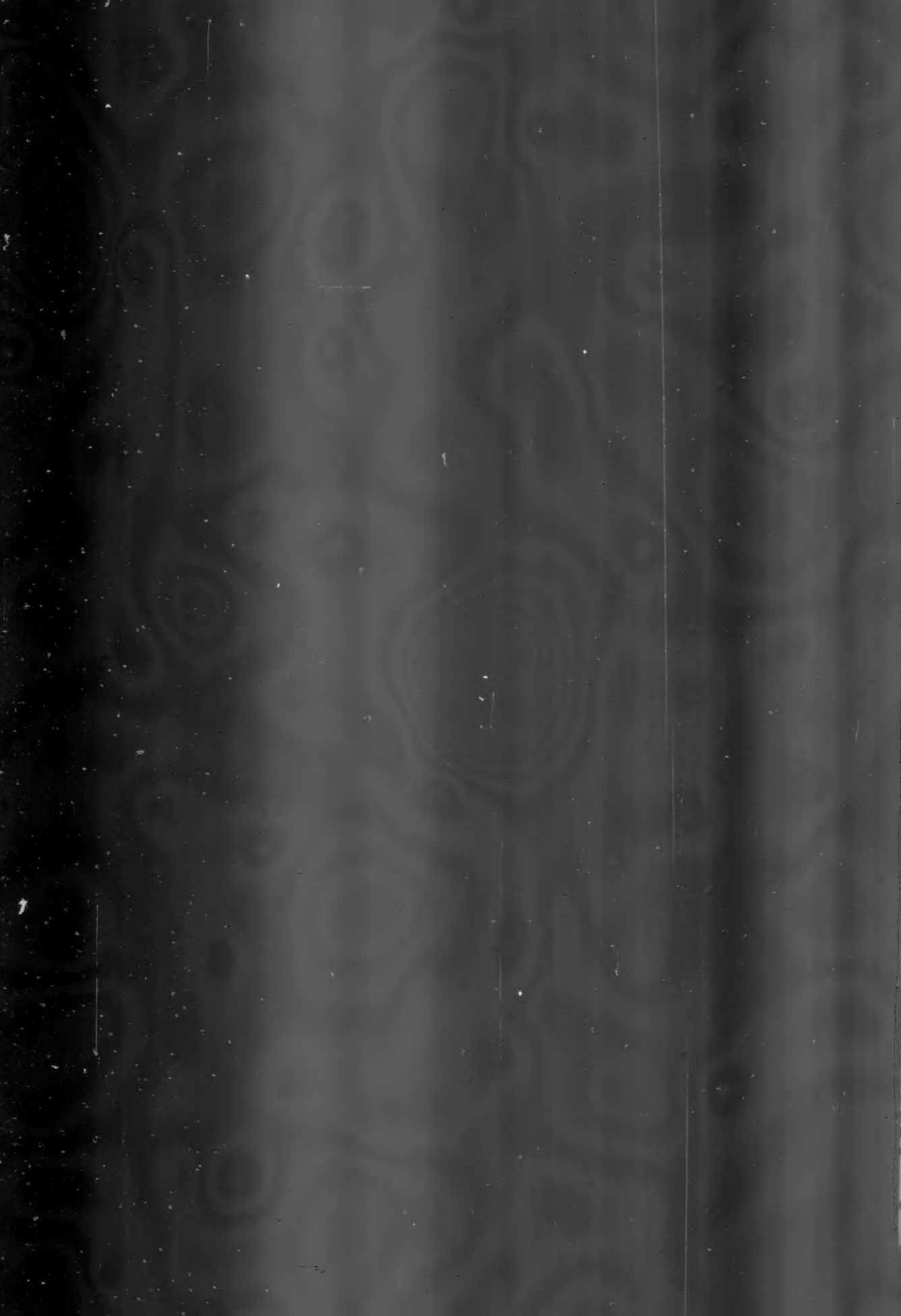
The new system, which went into effect on September 5, updates standards enacted in 1958. It is aimed specifically at eliminating the old system's bias toward overfinished beef-type animals, while better serving consumer requirements and helping Canada expand beef exports.

Proposals for the change were first put forth at the 1966 Beef Industry Conference and then developed during discussions between the beef industry and the Canadian Department of Agriculture. Details were unveiled by Canadian Agriculture Minister H. A. Olson on July 6, 1972, with a 3-month lead time allowed before the standards' implementation so that beef producers could alter their management programs.

The new system recognizes that today more cattle are fattened at beef feedlots on high-energy rations and, because of a beef-cattle shortage, growing numbers of the animals are dairy steers.

The grade and price structure of the old standards, by contrast, did not accurately indicate the economic value of lean beef animals while favoring overfinished beef-type animals. The old system had three major grades: Choice, Good, and Standard, also known as red, blue, and brown, which caused confusion on the consumer's part as to the top beef grade.

For instance, the old Livestock and Livestock Products Act, described a Canada Choice carcass as having "excellent conformation, finish and quality, relatively blocky, heavy, and uniformly fleshed, the neck short and thick, and the flanks fully muscled."



As a result, a dairy steer would fall into the Canada Standard grade mainly because of its physical appearance, although the carcass may have been youthful, well finished, and yielded a high cutout.

Although the Canada Standard brand was popular for use by the hotel and institutional trade because of its lower price ($10-$15 less per cwt.) and good value, it was not sold in retail meat stores. These carried only "red" and "blue" brand beef.

Thus the grade and price structure did not accurately indicate the economic value of a carcass to the rest of the marketing network.

The other major factor behind the grading change—that of consumer preference for leaner meat—meant that excess fat was no longer desirable on carcasses, especially since fat's economic value is low.

The new grading system deals with the problem of excess fat by requiring a precise measurement of external fat thickness at the rib eye, to permit classification of top quality, youthful carcasses into four fat categories. This is in line with Canadian Department of Agriculture research showing that the degree of finish as indicated by external fat thickness is directly related to the yield of salable meat.

In addition, a more precise evaluation of quality is now possible as youthful carcasses must be knife-ribbed at the 11th rib, allowing the grader to appraise a cross-section of lean meat as to color, marbling, texture, and other characteristics. In contrast, under the old system, graders were required to determine carcass quality by external appearance alone.

The method of determining carcass maturity is unchanged and depends on bone structure and appearance.

The new top grades are Canada A and Canada B, each of which are divided into four fat levels for various warm carcass weights, as shown below.

The remaining grades are the C grade for intermediate age carcasses, Canada D1 for select cows, D2 through D4 for other cows as determined by muscling and carcass quality, and Canada E for mature bulls and stags. These grades are not directly comparable to the old Canadian grades—Canada Standard; Canada Commercial, classes 1 to 3; Canada Utility, classes 1 to 3; and Canada Manufacturing.

The new system is strongly supported by Canadian cattlemen who wish to place beef on a yield-grade system similar to that used by the pork industry.

Producers will have to make better visual appraisals of their cattle and know when an animal ceases to put on lean meat and starts to put on fat, for this will directly determine their payment. Since this is determined by both the animal's physiological makeup and the feed ration it receives, producers will work on both their breeding and feeding programs to maximize returns.

Larger producers will stand to gain the most as they will be better able to adjust their management programs.

The packing industry's reaction is less enthusiastic than the producers' since there will be more work required to prepare carcasses for grading and provisions must be made to protect the knife-ribbed portion of the carcasses during aging. Moreover, those plants using mechanical dehiders, which may remove some of the external fat, will still require the grader to judge how much fat a carcass originally had.

It is a little early to estimate the effects of the new beef-grading system on the rest of the industry. The price-determining mechanism will require feedback from the retail level through to the packer-buyers as to which grades are most in demand. This will depend on what cuts a specific market desires and what weight of carcass dresses out the most desirable cuts for that market. (Unofficial sources have predicted that Canada A2 may be the top-priced grade as fat levels are too low on Canada A1.)

In addition, weighing and dressing procedures, which are under Provincial jurisdiction, must be standardized in view of the importance of weight and fat cover under the new system.

During the first month of operation, the majority of retail meat outlets have chosen not to use the new Canadian beef grades as part of their promotional material. Advantages to the consumer may result from improved purchasing by the supermarket wholesale buyers who are better informed by the fat level information now provided.

The new beef grading system that Canada has adopted will, if properly understood and used, improve the beef marketing process in Canada by increasing the information available to buyers and producers of beef.

Canadian meat inspector measures fat thickness of beef carcass, following procedures of the new grading system.

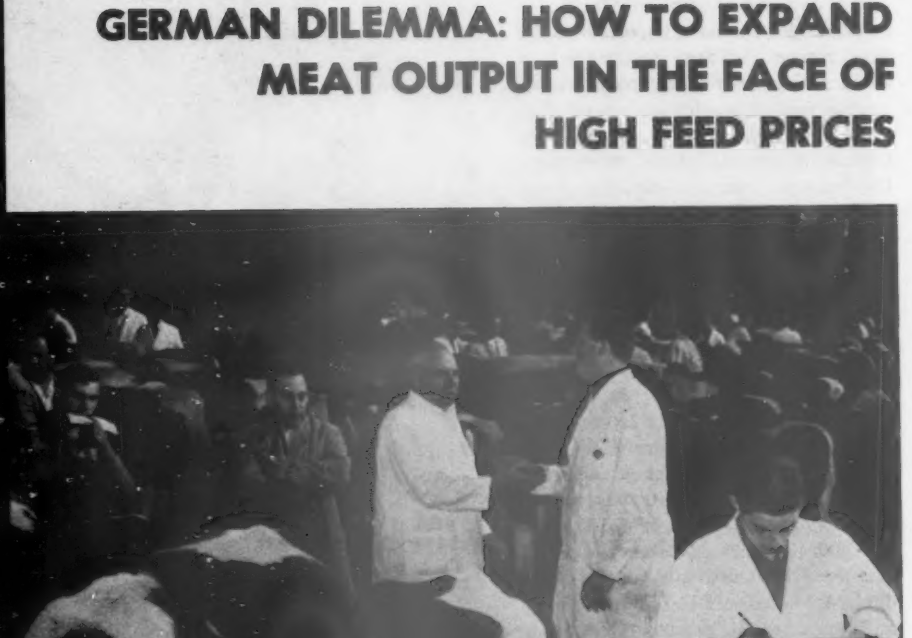
FAT LEVELS FOR CANADA A BEEF

Warm carcass weight	Fat category 1	2	3	4
Pounds	*Inches*	*Inches*	*Inches*	*Inches*
300-499	.20-.30	.31-.50	.51-.70	over .70
500-699	.20-.40	.41-.60	.61-.80	over .80
700 and over	.30-.50	.51-.70	.71-.90	over .90

FAT LEVELS FOR CANADA B BEEF

Warm carcass weight	Fat category 1	2	3	4
Pounds	*Inches*	*Inches*	*Inches*	*Inches*
300-499	.10-.30	.31-.50	.51-.70	over .70
500-699	.20-.40	.41-.60	.61-.80	over .80
700 and over	.20-.50	.51-.70	.71-.90	over .90

GERMAN DILEMMA: HOW TO EXPAND MEAT OUTPUT IN THE FACE OF HIGH FEED PRICES



Inspecting German slaughter cattle. Beef production expansion, a major German goal, thus far has been retarded by high grain prices.

WITH MEAT and meat products scarce, costly, and much in demand, the Federal Republic of Germany would like to expand its livestock industry. Before this can happen, however, Germany and other members of the European Community (EC) must resolve an increasingly thorny problem: How to encourage livestock production when feedgrains—the industry's leading input—are kept at high prices.

Beef has led the way in the current meat-price increase. August prices for all classes of cattle in the 24 major commercial markets were 31.9 percent higher than in August 1971. Calf prices also have risen sharply—by 25.6 percent from the previous year, and hog prices have gained by 5.5 percent. Moreover, for beef, at least, prices may have risen still higher, since 1972 production may be off 6 to 7 percent.

These price increases reflect the high income elasticity of demand for meat, particularly beef, and the long-term consumer shift from staples to a more diversified food basket. Even with a high per capita GNP of over $3,000, West German consumers still allocate about 30 percent of their total expenditures for food, with meat and meat products making up the largest share.

An equally important contributor to the market imbalance of meat has been farmer caution, rising out of a fear of falling prices that follow high output. With feed, and thus production, costs relatively fixed at high levels these fears are primarily attached to the hog cycle and its attendant impact on meat prices at the height of production. Since pork products comprise the largest share of total meat consumption—51 percent in 1971—any sharp downturn in the price of hogs can adversely affect farm income. During 1970-71, a peak production year, hog prices fell 18 percent from their August high before bottoming out in April.

There is a similar concern associated with poultry and eggs and other products linked to feed prices that are fixed by institutional processes rather than by market forces.

For example, West Germany, in cooperation with the Netherlands—a major poultry supplier and competitor—is making a special effort to limit or control broiler production. As a result, the rate of gain in broiler output has probably slowed considerably this year. The aim is to raise prices, even though German farm prices for live broilers of

about 22 cents per pound during January-September were over 50 percent above typical U.S. live broiler prices.

With per capita consumption of poultry at only about 19 pounds, compared with 50 in the United States, this is hardly evidence that demand has been satisfied. Nor is the per capita consumption level of 48.5 pounds evidence that beef overproduction has developed.

Significant to the demand side is the fact that imports of meat and poultry products into the Federal Republic have increased 53 percent since 1966. And continued consumer demand, as judged by current market prices of meat products, implies that an even more rapid increase in supply is desired.

GERMAN FARMERS have responded in part to this growth in demand. Production of meat in 1971, for example, has increased 32 percent above 1966 levels. But the question—at what cost—is important.

The rise in livestock production costs is accounted for not only by high feed costs but also by higher capital and service costs. The index of these off-farm purchases increased 5.4 percent between August 1971 and August 1972. These inflated costs, on the one hand, are beyond the immediate control of agricultural producers, but, on the other hand, they still have considerable influence regarding feed costs.

The strong attachment to managed prices has actually retarded consumption of grain and encouraged the use of lower cost grain substitutes, including more price-attractive protein supplements. Prices of these grain substitutes have also gained over the years, but not sufficiently to stop their erosion of feedgrains' share of the total feed mix.

West Germany's use of grain in mixed feed production declined from 44.3 percent of total product input in 1961 to 37.1 percent in 1971. And in 1971 alone the industry replaced 700,000 tons of grain with nongrains.

Compounded over a decade, since founding of the EC farm programs, the decreased ratio of grain in mixed feed has contributed heavily to the EC's grain surplus problem, while retarding beef industry development.

Overproduction of grain is further encouraged by the EC's use of denaturing premiums for wheat and by heavy subsidies on exports of excess grain to other countries. There are, however, no similar incentives to reduce feedgrain prices on the domestic market and thus expand sales for livestock feed. Consequently, German consumers not only are paying subsidies for surplus grain but also premium prices for meat.

While grain is most important in the feed rations for hogs and poultry, it is becoming increasingly more significant in feed rations for beef cattle. This trend has accelerated as farmers and animal nutritionists have modernized production, increased efficiency, and improved quality of output. Current estimates indicates that about 300 kilograms of grain were fed per head of beef cattle during the 1969-70 crop year—a decided gain over the estimated 200 kilograms fed in 1968-69, but far below the estimated 1,400 kilograms fed in the United States.

A direct disincentive to this industry is the use of EC subsidized skim milk and skim milk powder for feeding vealers; in 1971-72, those subsidies, respectively, amounted to DM 6.04 and 47.58 per 100 kilograms. Moreover, the subsidy for nonfat dry milk will be raised to DM 64.49 in 1972-73.

These rewards to farmers favor the dairy industry—an unlikely candidate for favored treatment owing to labor shortages, decreasing farmer interest in dairying, and a decline in per capita consumption of dairy products.

Full recognition of these problems would logically lead to a shift to beef and other less labor-intensive forms of livestock production.

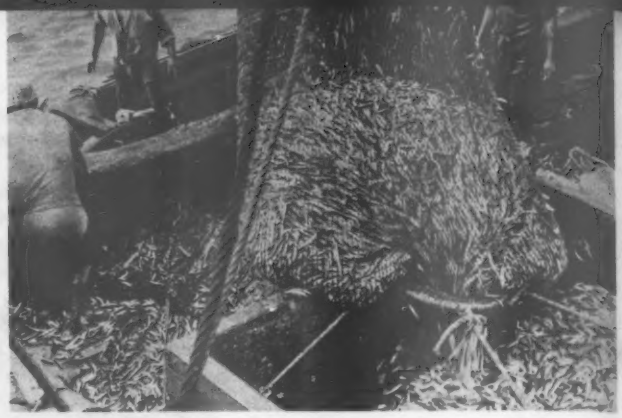
Paradoxically, though, it is the consumer rather than the farmer who will probably bring a change in priorities. So far, consumer demand has been sufficiently strong to push cattle prices upward by 32 percent in just 1 year and allow for a recovery in hog prices from their 1971 lows. However, further gains are likely to spark strong opposition.

The West German Government is not unaware of the dangers of inflation, as well as of the new cost pressures on agriculture that will develop as present CAP policies are applied to the enlarged Community. Importantly, there is a growing recognition by Germany officials and representatives of the trade and consumer organizations of the need to develop a more balanced farm program in the EC—one that judges income advantages from the increased production of livestock for meat rather than perpetuation of the cost disadvantages that accompany increased production of grains geared to bread prices.

Harvesting German corn, a major but costly feed ingredient. Photos: Agency for International Development.

Peruvian Fishing Ban Lowers Prospects for World Output And Exports of Fish Oil

By ALAN E. HOLZ
Fats and Oils Division
Foreign Agricultural Service



Peru's usual abundance of anchovies, above, has dried up, forcing bans on fishing and fish oil output.

A SCARCITY OF anchovies off the coasts of Peru and Chile plus reduced catches elsewhere in the world have retarded current fish oil production and lowered prospects for 1973. This, in turn, has brought recent fish oil exports almost to a standstill and will continue to depress them through at least the first quarter of 1973.

The current slowing of fish oil trade reflects a ban on Peruvian fishing arising from a scarcity of fish since summer in the Humboldt Current, whose usual abundance of marine life has helped make Peru the world's leading producer and exporter of fish oil and meal. The lack of fish, attributed to abnormally warm water temperatures, led Peru to continue indefinitely its usual July-August fishing "veda" (ban) and to ban fish oil and meal exports.

Recent experimental probes off the Peruvian coast indicated some recovery in anchovy concentrations near the southern ports of Ilo and Atico, but these ports account for a very small share of the Peruvian catch. Moreover the Peruvian Marine Institute (IMARPE), which conducted a survey of anchovy resources from October 20 to 24, indicates that fishing will not be resumed in December. Thus, it looks as if the ban will extend until March 1973, as earlier indicated by the Government.

The fishing ban plus reduced stocks (less than 74,000 tons on August 1, 1972) will be major limiting factors in Peru's fish oil exports next year. The Peruvian Government has indicated a planned volume of fishmeal production in calendar 1973 of 1.5 million tons. Assuming average fish oil and meal extraction rates of 2.5 percent and 18.5 percent, respectively, Peruvian fish oil production in calendar 1973 may amount to only 200,000 tons, compared with 214,000 in 1972 (all in the first half) and 414,000 for all of 1971.

This production, with reduced stocks, would cut supplies to the point where Peruvian exports in 1973 might total only about 150,000 tons—or 140,000 below the 1972 estimate. Although exports of fish oil from other producer-exporter countries could possibly increase, world exports in 1973 will probably decline by at least 100,000 tons from the 1972 volume.

A positive factor in the current situation, which could spark exports should availabilities increase, is the improvement in fish oil prices. Prices for Peruvian fish oil, semirefined, c.i.f. European ports, in late September rose to $212 per metric ton—43 percent above the March level. Since then, they have been unquoted. This is a reversal from average prices during the January-September 1972 period, which at only $170 per metric ton were 25 percent below the $226-per-ton average for the same 9-month period in 1971.

The 1972 season price drop reflected generally lower prices for most oils from a year earlier.

Now, however, it appears that fish oil prices could continue strong relative to other oils as a result of the limited prospects for fish oil produc-

(*Continued on page 16*)

FISH OIL PRODUCTION AND TRADE IN SELECTED COUNTRIES
[In thousands of metric tons]

Item	Full-year 1970	Full-year 1971	Partial year Period	Partial year 1971 [1]	Partial year 1972 [1]
Production:					
United States	88	119	Jan.-Aug.	96	66
Peru	311	414	Jan.-July	202	214
Norway	188	194	Jan.-June	119	106
South Africa	79	55	—do—	37	29
Subtotal	666	782	———	454	415
Exports:					
Canada	20	8	Jan.-June	7	2
United States	72	104	Jan.-Aug.	62	37
Peru	198	[2] 275	Jan.-July	146	269
Denmark [2]	11	10	Jan.-June	7	1
Iceland	17	11	—do—	7	11
Norway [2]	127	123	—do—	68	54
Japan	15	29	—do—	22	4
Subtotal	460	560	———	319	378
Imports:					
United Kingdom	176	187	Jan.-July	77	93
West Germany	123	136	—do—	80	99
Netherlands	101	119	Jan.-June	51	63
Net change on Rotterdam stocks	−29	+2	—do—	+44	+52
Subtotal	371	444	———	252	307
Residual:					
Production less exports	206	222	———	108	16
Exports less imports	89	116	———	67	71

[1] Preliminary. [2] Net exports.

Italy Remains A Major Market For U.S. Farm Exports Despite Heavy Competition

By OMERO SABATINI
and JAMES LOPES
Foreign Demand and Competition Division
Economic Research Service

Livestock farm in Italy. Leading U.S. exports are closely tied to this industry's growth.

ITALY IS THE SIXTH largest commercial market for U.S. farm exports with soybeans, corn, and soybean meal in the lead.

To retain and expand this sizable market, exporters, trade associations, and the U.S. Department of Agriculture are actively promoting sales of U.S. goods.

One group, the American Soybean Association, is attempting to boost Italian consumption of soybean oil and is seeking to induce Italian manufacturers to produce a quality soybean oil for shortening and table use. Production could start in a year.

Other U.S. trade groups active in Italy include the U.S. Feed Grains Council, now engaged in promoting consumer demand for meat to stimulate demand for feedgrains; and the National Renderers Association, which provides fat and feed technicians to local feed compounders.

Other assistance to U.S. exporters is planned through sales promotion activities of the USDA.

In September, USDA participated in the International Dairy Show at Cremona, where dairy heifers, proven sires, feedgrains, tallow, and semen were featured. Cattle valued at over $1 million were sold at the exhibit.

The following month, a hotel exhibit and reception of Biella sought to increase the number of Italian firms importing U.S. mohair.

At the 75th International Trade Show of Agriculture, Livestock, and Farm Machinery, to be held in Verona in March 1973, USDA will feature beef and dairy cattle, lambs, rabbits, poultry, hatching eggs, vegetable seeds, feedgrains, soybeans, soybean meal and cake, and tallow.

Participation by USDA also is scheduled for the International Samples Fair *(Fiera Campionaria)* in Milan in April 1973. Emphasis will be on poultry, red meat, and convenience-type frozen foods.

These promotional efforts aim at further expanding a market that in 1971 took $266.2 million worth of U.S. farm goods, 27 percent more than in 1970 and about 10 percent above the annual average of 1965-69. Most of the increase was in soybeans, feedgrains, tobacco, and cotton.

In the first 8 months of 1972, U.S. sales were valued at $222.3 million and were running nearly $43.0 million ahead of the same 8 months of 1971.

In 1971, nine bulk commodities, with a combined value of $240.5 million, made up 90 percent of total U.S. farm exports: Soybeans, corn, soybean meal and cake, tobacco, cotton, barley, wheat, inedible tallow, and seed for planting. Soybeans, corn, and soybean meal accounted for two-thirds of total sales. A large number of other bulk products and raw materials brought the total share of bulk items to nearly 97 percent of all U.S. agricultural sales to Italy.

Consumer-ready grocery items, which totaled more than $7 million, made up most of the remainder. The livestock sector accounted for 0.7 percent of total sales.

Italy will probably remain a major U.S. market, but competition for most products is keen and increasing. Italy's partners in the European Community and some of the EC associate members vie strongly for sales of grains, tobacco, and processed foods. With the notable exception of soybeans and soybean meal, most U.S. exports of bulk commodities and most consumer items will face increasing pressure because of the EC's Common Agricultural Policy (CAP).

With 90 percent of U.S. exports consisting of a few commodities, the size of the U.S. market now and in the future will depend largely on the ability of U.S. exporters to maintain and increase the sales of these products.

The three leading exports—soybeans, corn, and soybean meal—are closely related to the growth of a strong, viable livestock industry which Italy has yet to fully exploit.

Currently, the Government and livestock producers show strong interest in seeking self-sufficiency in meat, particularly beef and pork which now require about $450 million a year in imports; imports of live cattle for meat amount to an additional $400 million.

EXPANSION OF LIVESTOCK production is not likely to be as rapid as Government and producers desire. Nevertheless, it is expected to outpace Italy's ability to produce the required animal feed and should result in increased imports.

Soybeans and products. Soybeans enter Italy free of duty and other restrictions and with little challenge from other producing countries. The United States supplies 80 to 84 percent of Italy's soybean imports; the rest come mainly from the People's Republic of China and Brazil.

Italian utilization of soybeans rose 5

percent in 1971, that of soybean meal 17 percent. About half of all soybean meal in Italy is used by the livestock industries. The balance goes into poultry feeds.

A high CAP price for grain has encouraged a shift toward grain substitutes and has helped boost U.S. exports of soybeans and soybean products.

Prospects for sales of U.S. soybeans to Italy continue to be generally favorable. Seeds with a low oil content are in greater demand than those with a higher oil yield, mainly because of the need for feedstuffs and the difficulty in utilizing oils. Italian exports of soybean oil doubled in 1971, but domestic consumption remained about the same.

Partly because of the difficulty in disposing of the increasing soybean oil production, imports of soybeans are apt to increase at a slower rate in the near future.

During January-August 1972 sales of U.S. soybeans were nearly 4.9 million bushels lower than in the same period a year earlier. Total exports to Italy, excluding transshipments via Canada and the Netherlands, in 1971 were 27.5 million bushels, up from 22.2 million in 1970.

If the American Soybean Association is successful in its efforts to stimulate Italian consumption of soybean oil, a major obstacle to increased U.S. soybean exports will be removed.

Shipments of U.S. soybean meal to Italy fell off somewhat last year—from 320,000 short tons in 1970 to 308,000 in 1971—but remained 60 percent above the 1965-69 annual average. Through August 1972, exports were only 3,000 short tons lower than in the first 8 months of 1971 but the value was up by $1.6 million.

In 1971, Brazil made some inroads into the Italian market for soybean meal and cake, providing 10 percent of total imports. In the previous 5 years the United States had 96 percent of the market.

Grains. Italian imports of U.S. corn, too, depend to a large degree on the growth of the livestock industry. In 1971, U.S. exporters of corn to Italy were able to reverse a long-lasting downward trend in sales. Through August 1972 sales, at 1.8 million metric tons, were running more than 1 million metric tons ahead of a year earlier.

IT IS NOT CLEAR whether the upturn in imports of U.S. corn can be sustained. In the past several years, expansion in Italian demand for corn has been met mainly through larger domestic production, which continues to rise in response to high prices. Other foreign suppliers both within and outside the EC (especially France and Argentina) are expected to offer strong competition.

By special arrangement with the EC, Italy imposes a lower levy on imports of corn and other feedgrains from outside the EC than the levy imposed by the other EC members. This arrangement will remain in effect at least through July 1973, but its termination could mean a smaller market for feedgrains from third countries, including the United States.

Wheat imports are likely to continue at about the level of recent years. Italy will continue to need quality protein wheats to mix with and bolster domestic bread and pasta wheats.

Sales of U.S. barley are certain to drop in 1972 and Italy's total imports also are expected to be down because of increased domestic production and large carryover from 1971 purchases from Canada at favorable prices. There were no U.S. exports of barley to Italy during January-August 1972, compared with 10.7 million bushels during January-August 1971.

Cotton. U.S. exports, which in 1970 were down to one-fourth of the 1965-69 average, nearly tripled in value in 1971. The upsurge in sales has continued into 1972. In the first 8 months, sales reached $12.2 million—$5.3 million higher than in the same months of 1971.

The current ability of U.S. cotton to compete in price, the general recovery of the Italian cotton textile industry, and the decline in the supply of cotton from other traditional exporters are helping to strengthen the position of U.S. cotton. (See *Foreign Agriculture*, April 17, 1972.)

Tobacco. The Italian market is controlled by a State monopoly. The CAP for tobacco provides incentives to local producers for expanding output and premiums to processors for using EC tobacco. Imports from Greece and Turkey, which are associate members of the EC, are not subject to the Common External Tariff (CXT).

In the long run, purchases from third countries will be limited by the increase in production and use of domestic tobacco spurred by EC incentives.

Nevertheless, it is reliably reported that during 1972 the State monopoly intends to purchase 24 million pounds of U.S. tobacco (mostly Virginia Bright and burley), compared with Italian imports of 20 million pounds in 1971 and 6.7 million pounds in 1970. The reason for the anticipated large volume in 1972 is that demand for better quality

U.S. AGRICULTURAL EXPORTS TO ITALY, AVERAGE 1965-69, ANNUAL 1970 AND 1971
[In thousands of dollars]

Commodity	Average 1965-69	1970	1971
Bulk items:			
Soybeans and products	62,732	88,567	109,053
Corn	89,622	58,185	66,150
Tobacco	9,776	8,433	17,895
Cotton	20,283	5,097	14,923
Barley	8,029	3,046	13,214
Wheat	10,273	10,497	9,958
Tallow	7,500	7,145	5,104
Other	20,000	21,181	20,933
Total	228,215	202,151	257,230
Livestock	2,174	1,697	1,798
Consumer items:			
Prunes	2,212	2,294	2,638
Turkey, whole and parts	708	466	762
Almonds	41	324	698
Grapefruit juice, canned	75	358	543
Other	2,635	1,967	2,544
Total	5,671	5,409	7,185
Relief shipments	2,127	451	67
Total agricultural exports	238,187	209,708	266,280

brands is growing and the Italian industry must meet it with good quality tobacco. Italy accounts for one-seventh of all U.S. exports of burley tobacco and is the world's second largest buyer, after West Germany.

Tallow. Tallow exports have fluctuated widely from year to year. Through August 1972, quantities shipped (including greases) were 79.9 million pounds compared with 33.5 million in the same period a year earlier. In February 1971, an import inspection fee of 36 cents per 100 pounds, in effect since 1968, was slashed to 3.6 cents per 100 pounds.

Livestock. U.S. exports in the livestock category consist mainly of hatching eggs and baby chicks. However, opportunities might exist for sales of some breeding beef and dairy cattle. Last year, Italy imported nearly 300 head of dairy breeding cattle from the United States, compared with 41 head in 1970. In the mid-1960's Italy purchased more than 9,000 dairy calves from the United States.

Italy now has an acute shortage of calves for veal. It has been suggested that the United States could supply part of that demand, but the price of calves in the EC would have to rise to make sales of U.S. calves profitable. (See *Foreign Agriculture,* May 22, 1972.)

Consumer-ready products. Exports of all consumer-ready items amounted to $7.2 million in 1971, nearly a third above 1970, and more than a fourth above the 1965-69 average. Most of this increase was accounted for by larger shipments of nuts (mainly almonds), dried and fresh fruit (principally prunes and grapefruit), and fruit juices (essentially canned grapefruit juice and frozen grapefruit juice concentrate).

PRUNES ARE THE SINGLE most important grocery-store item. They accounted for 37 percent of consumer-item sales in 1971 and are on a definite upward trend.

Although Italy is a relatively large net exporter of almonds, the value of U.S. exports of almonds to Italy jumped from practically nothing in 1968 to nearly $700,000 in 1971 and is likely to keep growing. Italy also imports almonds from southern Europe and other Mediterranean areas. Purchases from these countries often are for re-export. However, almonds from the United States are entirely for Italian consumption, generally as salted nuts for which Italian almonds are not well suited.

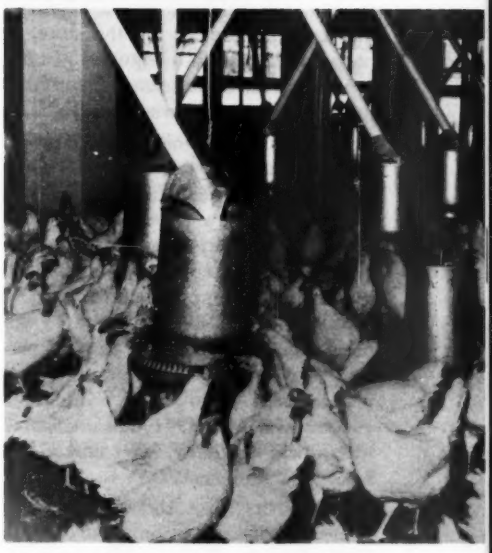
Wholesale market in Rome. These markets supply the hotels, restaurants, and institutions now using more U.S. consumer-ready products.

Grapefruit is a new and important grocery-store product moving from the United States into the Italian market. Shipments began at the end of 1970, when Italy first lifted a ban on imports of U.S. grapefruit for a period of 6 months; this period was later extended to cover all of 1971, and last January Italy consented to allow imports through 1972.

U.S. shipments to Italy were worth $367,000 in 1971. They were somewhat below expectations partly because of a smaller-than-anticipated crop in the United States coupled with higher U.S. consumption. Also, some U.S. exports were diverted to Japan, after that country liberalized its grapefruit imports. Italian citrus growers produce a negligible amount of grapefruit. There is no indication of new plantings in spite of the booming market.

Other U.S. exports of consumer-ready items which have shown an upward trend in recent years, or are becoming established in the Italian market include: Fresh asparagus, fresh strawberries, honey, shortening, cream and milk substitutes, potato chips, meat sauces, miscellaneous food preparations, and dog and cat food.

Poultry products—mainly whole turkeys and turkey parts—made significant gains in 1971 but still were more than 40 percent below the average value in 1965-69, because of increased domestic production and competition from Hungary and Yugoslavia.



Automatic industrial poultry feeder in Italy. Half of imports of U.S. soybean meal go into poultry feeds.

Sales of foods for tourists (especially campers) and for the hotel, restaurant, and institutional trade are said to have a good potential.

Rapid changes in living patterns and rising standards of living throughout Italy are increasing opportunities for sales of many processed food products of the convenience type, but so far U.S. suppliers have not been able to take significant advantage of this relatively new and expanding market. Competition from local processors (including that of U.S. investors) and from other European suppliers is very difficult for U.S. suppliers to beat.

Imports of numerous grocery-store items and many other farm products

are hindered by nontariff barriers imposed by the Italian Government—aside from the access problems posed by the CAP and the CXT of the Community.

Several health and sanitary regulations restrict meat imports. The most important for the United States is the Italian prohibition of imports of meat and products from animals fed or treated with hormones (estrogens).

The introduction of baby foods in the Italian market requires health certificates which generally take a long time to obtain. The Government requires that all frozen foods be labeled to show the weight in grams/kilos and the date of purchase by the store, in code. In addition, imported frozen products must come from a plant certified by the Italian Government.

However, economic conditions in Italy generally favor continued growth of the market for agricultural commodities, even though an economic slowdown, which started in late 1969, became more marked in 1971. The rate of growth of the gross national product (GNP), in real terms, sagged to 0.3 percent in 1971, compared with 5.5 percent in 1970, and an average annual real increase of 6 percent during the 1960's. The year 1971 was dominated by political instability, labor unrest, and recessionary influences.

Preliminary data show a moderate improvement in economic activity in 1972. Italy's balance of payments showed a surplus of $1.2 billion in 1971 and about $500 million in 1970. Gold and currency reserves totaled nearly $7 billion at the end of 1971. Per capita income is estimated at about $1,300; per capita GNP is $1,700.

Caloric per capita intake is close to the 3,000 level of most developed countries. Consequently, further increases in intake are not likely, but the quality of the diet is improving. Consumption of breadstuffs and potatoes continues to decline while that of meat, eggs, and milk has been rising, but it is still below the level of other EC countries.

The currency realinement of last December also could help boost sales of some U.S. farm commodities, especially cotton, soybeans, and soybean products, assuming no drastic new changes in currency relationships. U.S. grains, however, will not benefit from the realinement because of the EC variable levy system.

U.K. Allows Applications for Advance Fixing Of EC Import Levies and Export Subsidies

As part of its adjustment to entry into the European Community, the United Kingdom has granted its traders permission to apply for advance fixing of EC variable levies or export subsidies for products to be imported into or exported from the United Kingdom beginning February 1, 1973. Similar arrangements have been made by Denmark and Ireland.

A schedule running through January 3, 1973, has been set up for agricultural products. Applications for advance fixing may be made beginning on the following dates:

November 1, 1972:
- Dairy products (exports)
- Eggs (exports)
- Grains (exports)
- Grain products (exports) except cornmeal
- Rice (exports), except broken rice
- Milling residues and denatured tapioca flour (imports)
- Sugar (exports)
- Molasses (exports and imports)
- Sugar in processed fruits and vegetables (exports and imports)
- Processed foods (exports)

November 28, 1972:
- Olive oil (exports)

December 1, 1972:
- Cornmeal (exports)
- Broken rice (exports)
- Rapeseed (exports)

January 1, 1973:
- Olive oil (imports)

January 3, 1973:
- Beef (imports from Argentina)
- Grains (imports)
- Rice (imports), including broken rice

In taking this action, the United Kingdom follows the EC practice (in cases where levies or subsidies are fixed weekly or daily) of allowing the trader to choose whether he will accept the levy (or subsidy) level that is in effect on the date of importation or exportation, or ask that the level be fixed in advance.

If he requests advance fixing, the level will be the one that is in force on the date of his application, adjusted by any change in the threshold price on the date of importation or exportation and by differences between spot and future market quotations at the time of the application. He receives a certificate guaranteeing a specified level subject to these known adjustments, which is then valid for a period varying with the product—anywhere from 30 days to 11 months.

The new EC members must, however, make an additional adjustment to EC levies of subsidies in order to fix them in advance—an adjustment not yet possible for any farm product except grains. The EC levy or subsidy must be reduced by the difference between the support price level established for the new members and the support price level in the Six; and this price differential has so far been negotiated only for grains.

This fact does not prevent the issuance of certificates for advance fixing; the amount of the levy or subsidy fixed in advance is not shown on the certificate. But it does present certain difficulties to British importers of nongrain products. For example, an importer of rice will know the amount of the rice levy applicable in the Six and the adjustments the Six will make in that levy for purposes of advance fixing; but he will not know, at the time he makes application, the further price differential to be deducted from the levy for the United Kingdom.

For other products such as canned fruit and processed foods, the United Kingdom will also have to make adjustments in its tariffs by early next year; and these adjustments are still unknown at this time.

The new British regulations give some indication of the procedures the British will use to implement the variable levy system for these products. All traders who intend to apply for advance fixing are asked to submit confidential information, including the commodities of their interest, an estimate of the amount of business they expect to do, and the number of applications they expect to make in 1973. For processed foods, where the levy and subsidy are based on the agricultural ingredients used, the applicant could be asked to submit a list of ingredients.

—By John F. Hudson
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CROPS AND MARKETS

GRAINS, FEEDS, PULSES, AND SEEDS

Rotterdam Grain Prices and Levies

Current offer prices for imported grain at Rotterdam, the Netherlands, compared with a week earlier and a year ago:

Item	Nov. 15	Change from previous week	A year ago
	Dol. per bu.	*Cents per bu.*	*Dol. per bu.*
Wheat:			
Canadian No. 1 CWRS-14	2.75	−1	2.00
USSR SKS-14	(1)	(1)	1.87
Australian FAQ[2]	2.60	+5	1.66
U.S. No. 2 Dark Northern Spring:			
14 percent	2.51	−1	1.88
15 percent	2.54	−2	(1)
U.S. No. 2 Hard Winter:			
13.5 percent	2.47	−2	1.79
No. 3 Hard Amber Durum	2.59	−1	1.80
Argentine	(1)	(1)	(1)
U.S. No. 2 Soft Red Winter	(1)	(1)	1.77
Feedgrains:			
U.S. No. 3 Yellow corn	1.66	+1	1.40
Argentine Plate corn	2.03	−4	1.53
U.S. No. 2 sorghum	1.72	−4	1.43
Argentine-Granifero sorghum	1.73	−4	1.43
U.S. No. 3 Feed barley	1.60	+2	1.18
Soybeans:			
U.S. No. 2 Yellow	3.84	−4	3.36
EC import levies:			
Wheat[3]	[4]1.34	0	1.51
Corn[5]	[4]1.16	0	1.02
Sorghum[5]	[4]1.06	0	1.02

[1]Not quoted. [2]Basis c.i.f. Tilbury, England. [3]Durum has a separate levy. [4]Effective October 14, 1971, validity of licenses with levies fixed in advance is a maximum of 30 days. [5]Italian levies are 21 cents a bu. lower than those of other EC countries. Note: Basis 30- to 60-day delivery.

French Corn Crop Estimate Declining

Wet weather during harvest and an early heavy frost have reportedly had an adverse effect on the 1972 French corn crop. Unofficial sources now expect the final outturn to be roughly 10 percent below the official French estimate of 9.7 million tons on October 1.

U.S. Wheat Continues Moving to China

USDA's Export Marketing Service announced November 7 that an additional 72,873 metric tons of U.S. wheat had been sold to the People's Republic of China. This amount brings the total of known U.S. wheat sales to China thus far this year to 506,689 metric tons, including 406,400 tons announced September 14 and 26,399 tons announced October 31.

Based on inspections at U.S. ports, a total of about 327,000 metric tons of this wheat had been shipped by November 3.

EC Concession Given Egyptian Rice

The European Community (EC) and Egypt have negotiated a 5-year preferential trade agreement which includes an EC commitment to grant Egypt the equivalent of a 25-percent reduction on rice import levies. Egypt will in turn place an export tax of a like amount on rice shipped to the EC, thus nullifying any possible price advantage. The agreement amounts to an EC aid measure designed to increase Egyptian treasury receipts.

EC Increases Wheat Export Subsidies

As of November 10, the European Community's subsidy for wheat export to the United Kingdom, Ireland, and Denmark was increased from $32.57 per metric ton to $40.17. Wheat subsidies for Austria and Switzerland were increased from $1.09 to $28.23 per ton. The new subsidy would put French wheat in the United Kingdom at about $86 per ton.

As of February 1, however, the subsidy to the United Kingdom will automatically be increased to the fixed level of $48.11 under the transitional pricing arrangements.

Brazil's Wheat Crop Reduced Nearly Half

A new survey indicates a 40- to 50-percent loss in Brazil's current wheat crop, a result of recent wet weather, frost, and pests. The crop is now estimated at 1.2 million tons, down from the 2 million tons estimated in August and the 2 million tons produced in 1971. This development would indicate import requirements (July 1973-June 1974) at 2.5 million tons, compared with 1.6 million in 1971-72.

Widespread Drought Hits Nicaragua Crops

Widespread, severe drought has created an emergency in Nicaragua.

Crop failures are reported for rice, corn, beans, and sorghum. The situation will be intensified if the cotton crop experiences partial failure, resulting in lowered farm labor employment during October 1972-February 1973.

The Nicaraguan Government has authorized an initial import of 68,000 metric tons of basic grains to help meet anticipated shortages.

Indonesian Rice Production Well Below Target

The 1972 Indonesian rice production is unofficially estimated at 12.2 million tons, far short of the 13.8-million-ton goal and below the 1971 crop of 12.8 million. Most of the reduction is ascribed to losses in the dry-season harvest (September-October).

FATS, OILS, AND OILSEEDS

Canadians Developing New Rapeseed Variety

The Canadian Department of Agriculture is developing a new variety of rapeseed. This variety, on which Dr. B. R. Stefansson of Manitoba University is working, incorporates the low-erucic-acid concept with low glucosinolates. The low-erucic-acid level makes rapeseed oil more desirable for human consumption, while low glucosinolates make rapeseed meal more desirable for poultry and hog feed.

Dr. Stefansson is optimistic that the new variety will be available for planting next year. However, another Canadian researcher does not feel the new variety will be ready before 1974.

The Canadians already have rapeseed varieties of low-erucic-acid content that are equal to the best available varieties in oil content and yield per acre. These varieties will be available in 1973.

Argentine 1973 Crop Sunflower Acreage Up

According to the first official estimate, 1973 Argentine sunflower crop area at 4 million acres is up 5.7 percent. Assuming average abandonment and normal yields, production could amount to 1.05 million tons—230,000 tons above the 1972 level. In terms of oil, the added production would be roughly equivalent to 15 million bushels more soybeans. However, in terms of meal, the expected added output would amount to the equivalent of less than 5 million bushels because sunflowerseed has a much higher proportion of oil to meal than soybeans.

SUGAR AND TROPICAL PRODUCTS

U.S. Honey Imports Climb; World Trade Patterns Shift

Honey imported into the United States during January-August 1972 totaled almost 32.3 million pounds, roughly 350 percent more than the 7.2 million pounds imported during the same period of 1971. As U.S. production during 1972 will probably approximate the average of recent years, increased imports are viewed as being related to expanded demand for "health foods" in the United States.

Domestic honey prices have climbed steadily since mid-1971. In September 1972, domestic producers were receiving in the range of 30 cents a pound in bulk lots, roughly twice the price of 2 years earlier.

The average price of imported honey, all lower grades, increased from 11.5 cents per pound in August 1970 to 24.4 cents in August 1972. Demand and prices have increased in other countries, as has the volume of honey in world trade.

Average yearly net imports by major importing countries during 1969-71 totaled 282 million pounds, about 45 percent and 66 million pounds above the 1960-64 average. Shipments to Japan accounted for 45 percent of the increment, growing from a yearly average of 1.7 million pounds during 1960-64 to 31.3 million pounds. Imports by the United Kingdom increased from 24 million pounds to almost 39 million pounds, the second largest increment between the two periods. West Germany remains the largest honey importer, but net imports increased more moderately, from 91 million pounds to less than 98 million pounds.

The United States changed from a net exporter, with average yearly net sales of over 5.6 million pounds during 1960-64, to a net importer during 1969-71, with average net purchases of 3.1 million pounds, a difference of 8.7 million pounds.

The most notable development during the same time span among honey-exporting countries was an increase in Mainland China's shipments from an average 6.2 million pounds to over 39.2 million, an increase of more than 530 percent. This was still insufficient to fully offset the increase in world demand.

Brazil's 1971-72 Cocoa Bean Crop Smaller

Brazil's 1971-72 (October-September) cocoa bean crop totaled 165,400 metric tons, down 9 percent from the 1970-71 harvest of 182,400 tons.

The smaller crop was attributed to poor growing conditions for the Bahia Temporão crop, which amounted to only 1,095,051 bags (65,703 tons), off sharply from the large 1971 Temporão harvest of 1,944,354 bags (116,661 tons). However, part of the loss was made up by a large Bahia main crop of 1,511,000 bags (90,660 tons), compared with the 1970-71 main crop of only 945,000 bags (56,700 tons). Production in the other areas of Brazil usually amounts to 150,000 bags (9,000 tons) annually.

U.S. Cocoa Bean Grind Off in Third Quarter

U.S. cocoa bean grindings during the third quarter of 1972 totaled 139.4 million pounds, off 5.4 percent from the corresponding period a year earlier. However, because of unusually high first-quarter grind, the cumulative January-September 1972 grind, at 460 million pounds, is running 4.1 percent ahead of the similar period in 1971 when grindings amounted to 441.9 million pounds. Total 1971 grind was 615 million pounds.

Bangladesh Strives To Revitalize Exports of Jute and Jute Products

Bangladesh expects to receive about $146 million in foreign exchange from exports of raw jute and $121 million from exports of jute products in 1972-73, according to data

published in the country's Annual Plan. By May 1972 jute mills in Bangladesh were reportedly operating at 84 percent of the average monthly level reported in 1969-70, the period of record output.

Trade circles in Calcutta indicate that Bangladesh might possibly export 500,000 tons of jute products in 1972-73, and that high prices which prevailed in Calcutta for jute products during the last year have subsided slightly.

Bangladesh's jute crop during 1972 is estimated at slightly less than 1.3 million metric tons, compared with 772,000 tons in 1971 and a peak of 1.3 million tons in 1969.

Stocks of raw jute accumulated in Bangladesh during 1971 when military activities hampered internal transportation as well as shipping operations at Chalna and Chittagong.

Deliveries of raw jute from Bangladesh to jute mills in Calcutta during 1971-72 exceeded 1 million tons. Private shipments of raw jute from Bangladesh to India have now been banned, and all future deliveries are expected to be made through the Bangladesh Jute Corporation, a public company.

Cuban Ups Sugar Crop Estimate, Raising World Output Level

Cuban sugar production during the campaign ended almost half a year ago was 4.4 million metric tons, according to Cuba's Vice Foreign Minister in Tokyo, as reported in *The Public Ledger* (London, Oct. 21, 1972). This figure, not previously released by Cuba, compares with a 3.8-million-ton estimate published earlier by USDA.

The Cuban announcement would mean that world sugar production during 1971-72 was some 71.5 million tons, almost 1 percent more than previously estimated and almost 1 percent more than 1970-71 production. Earlier estimates had set 1971-72 world sugar output at the same level as a year earlier.

Prospects are that Cuba will produce a larger crop during the 1972-73 campaign.

TOBACCO

Canadian Tobacco Producers To Request Export Subsidy

Canadian press reports indicate that the Ontario Flue-Cured Tobacco Growers' Marketing Board will request that the Federal Government establish an export subsidy for tobacco.

According to the report, the Board's brief will ask the Government to match the rebate "of at least 2 cents per pound" which manufacturers and producers, by mutual agreement, have offered on exported flue-cured tobacco beginning with the current crop.

In addition, the Board asks the Government to consider adopting other measures to encourage foreign buyers to purchase Canadian leaf. These measures would include: Grants to assist promotion of tobacco products containing Canadian leaf; gifts or sales, under easy terms, of cigarette-manufacturing machinery subject to use of Canadian leaf; use of long-term credits to finance export sales; payment of storage and insurance costs, in Canada, for up to 1 year on leaf purchased but not shipped by foreign buyers.

The Tobacco Board expects a serious effect on Canadian sales to the United Kingdom from that country's joining the Common Market and, consequently, the loss of about 20 cents per pound Commonwealth duty preference on Canadian tobacco to the U.K. market. Over recent years, the United Kingdom has taken about 90 percent of Canada's total exports of flue-cured tobacco. Some 30 to 40 percent of the Canadian crop is exported.

COTTON

U.S. Cotton Textile Imports Break Records

The level of U.S. cotton textile imports continues to climb, while domestic production continues to decline. As a consequence, in the 12-month period ending August 1, U.S. imports reached 14 percent of the domestic market, an alltime high.

Cotton textile imports have expanded sharply in recent months as cotton textile prices have strengthened.

DAIRY AND POULTRY

New Zealand Dairy Board To Open Office in Hamburg

The New Zealand Dairy Board has announced it will establish a subsidiary trading company in Hamburg to provide a direct trading link with the dairy products market on the Continent.

The announcement said the step was consistent with the Board's general policy of moving progressively towards more direct control of the final sale of New Zealand dairy products. The new office follows the establishment of a Board-owned company in Chicago, a Southeast Asian regional office in Singapore last year, and the opening of an office in Tokyo 2 years ago.

Australia To Introduce Egg Production Controls

At a special meeting of the Agricultural Council in Melbourne on October 16, State Ministers for Agriculture agreed to the introduction of controls on egg production in all States. The proposed scheme is similar to one previously suggested by the Council of Egg Marketing Authorities, and is based on the licensing of producers for a certain number of hens.

In accordance with proposals of the Council of Egg Marketing Authorities, a national hen quota of 12,935,000 birds has been established, divided between the States.

States and their quotas are: Victoria 3,170,000, New South Wales 5,470,000, Queensland 1.9 million, South Australia 1,180,000, Western Australia 930,000, Tasmania 200,000, and the Australian Capital Territory 85,000. Hen quotas are subject to annual review by the Agricultural Council.

Although the industry has pressed the Federal Government for years for a national production control scheme to limit

the mounting supplies of unsalable egg pulp, agreement between the States was impossible until now because of opposition from the State of Victoria. This year, however, carryover stocks of egg pulp rose to 35.8 million pounds, and the industry sought financial help from the Commonwealth to dispose of the surplus.

The Commonwealth provided a special grant of $895,000 in the 1972-73 budget to the industry to subsidize pulp export. Under these circumstances it was difficult for Victoria to resist national controls.

FRUITS, NUTS, AND VEGETABLES

Australian Fruit Tree Removal Bill Introduced

Mr. Ian Sinclear, Australian Minister for Primary Industry, has introduced legislation in Parliament which would provide compensation to growers uprooting trees of canning peaches and pears and table apples and pears.

The legislation is based on recommendations by the Australian Apple and Pear Board and the Canned Deciduous Fruit Advisory Committee. It would provide sliding scale payments to a maximum of US$595 per acre for removal of canning peach and pear trees and US$416.50 per acre for removal of table apple and pear trees.

Growers must agree not to replant pulled trees for 5 years or they must repay the Government with interest. The legislation is expected to pass both houses.

EC Hop Subsidy Set for 1971 Crop

The European Community's CAP for hops, adopted July 26, 1971, provides for a subsidy per hectare of hops, differentiated by variety. The first of these subsidies was to be established for the 1971 harvest. On September 29, 1972, the EC Commission proposed that the Council establish the following 1971 subsidies:

- Hallertauer variety—250 units of account per hectare (worth approximately 7.8 cents per pound);
- Strisselspalt variety—550 units of account per hectare (worth approximately 16.2 cents per pound).

India's Cashew Prospects Brighter

India's cashew processing industry, in flux for the past 3 years, appears to have ironed out most of its difficulties.

The Indian trade, dependent upon imports of low-cost raw African nuts and upon cheap local labor, found imports curtailed in recent years. Disrupted originally in 1969 by a dispute between Indian buyers and African exporters, trade was further upset by the October 1970 implementation of the Indian Government's decision to canalize imports through the State Trading Corporation (STC). Imports fell sharply as the STC established its procurement and distribution procedures. These problems were compounded by increased competition for raw nuts arising from expansion of the infant African processing industry.

Today, the STC appears to be functioning smoothly; the experience gained over the past 2 years is readily apparent. Imports of raw nuts in calendar 1972 are forecast at 204,000 short tons, well above the 184,600 tons purchased in 1971. Demand within the domestic trade for raw Indian nuts is increasing. Expanded competition for African supplies and the uncertainty processors feel concerning quality, price, and allotment (including prompt delivery) of the imported cashews handled by the STC are the principal reasons for this increase.

India's cashew production has demonstrated an upward trend in recent years which is expected to continue. The trade feels expanded output will help reduce its dependency upon African supplies.

The 1972 Indian crop has been placed at 100,000 tons, 20 percent below last year's record harvest. Exports of kernels during 1972 are expected to total 65,000 short tons (kernel-weight basis), compared with the 1971 level of 66,120 tons.

CASHEW PRICES OF INDIAN KERNELS
[In U.S. cents per pound [1]]

Date	1969	1970	1971	1972
January 1	67.5	72.0	70.5	73.0
February 1	68.0	71.0	69.5	72.0
March 1	67.0	71.5	68.5	74.0
April 1	66.0	71.0	70.0	75.0
May 1	64.0	73.0	71.5	75.0
June 1	63.0	74.0	74.5	78.0
July 1	66.0	75.0	75.5	77.0
August 1	67.0	76.0	74.5	75.0
September 1	67.0	76.0	72.0	73.5
October 1	69.0	75.0	74.5	(2)
November 1	71.0	76.0	76.0	(2)
December 1	71.0	72.0	77.5	(2)

[1] C.i.f. New York (converted at 1 rupee = 13.33 U.S. cents). 320 count in 25-lb. tins. [2] Not available.

INDIA'S CASHEW SUPPLY AND DISTRIBUTION
[In 1,000 short tons [1]]

Item	1969	1970	1971 [2]	1972 [3]
Beginning stocks (Jan. 1)	17.0	8.0	6.0	8.0
Production	100.0	88.0	125.0	100.0
Imports	210.3	188.3	184.6	204.0
Total supply	327.3	284.3	315.6	312.0
Exports	294.5	253.9	281.7	277.0
Domestic disappearance	24.8	24.4	25.9	25.5
Ending stocks (Dec. 31)	8.0	6.0	8.0	9.5
Total distribution	327.3	284.3	315.6	312.0

[1] Raw nut basis. [2] Revised. [3] Preliminary.

Italian Canned Fruit Production 7 Percent Larger Than Last Year's

Italy reports larger 1972 canned pear and peach packs despite cool and rainy spring weather which reduced fruit set and caused a late harvest season.

Total fresh Bartlett pear production was smaller but the canning pear price was favorable. The 1972 canned pack is estimated at 2.9 million cases, 7 percent above last year's. Canned peach production totaled 1.3 million cases, 8 percent above that of 1971. Production of early peach varieties was larger, but output was down for later varieties which were

more severely affected by unfavorable weather.

The European Community is the major market for Italian canned pear and peach exports, estimated at 2.45 million cases and 540,000 cases, respectively, during the 1971-72 season. Other important markets for canned pears were the United Kingdom and the United States.

ITALIAN PRODUCTION OF CANNED PEARS AND PEACHES
(In thousands of cases, equivalent to 24/2½'s)

	1969	1970	1971 [1]	1972 [2]
Pears	2,449.6	2,841.5	2,743.5	2,939.5
Peaches	489.9	832.8	1,175.8	1,273.8

[1] Revised. [2] Preliminary.

Italian Walnut Output Under Last Year's

Italy's 1972 walnut crop is placed at 21,000 short tons (in-shell basis), 9.5 percent below last season's. Quality ranges from fair to poor following a cool, damp season.

Growers, encouraged by the high prices received last season, are again seeking premium prices for their nuts. In-shell Sorrentos (26-28 mm.) were quoted at 39-41 cents per pound, f.o.b. Naples, in mid-September, compared with 46 cents in February 1972 and 29-32 cents a year ago.

Exports during the 1971-72 season (September-August) are placed at 11,000 tons, sharply above the previous season's 8,000 tons. Short European crops and the U.S. dock strike are cited as major factors behind the rise. Industry sources indicate that 1972-73 shipments may fall by 30 percent.

ITALIAN WALNUT SUPPLY AND DISTRIBUTION
[In thousands of short tons, in-shell basis]

Item	Year beginning September 1			
	1968	1969	1970 [1]	1972 [2]
Beginning stocks (Sept. 1)	0.2	0.4	1.4	0.3
Production	18.0	20.0	22.0	23.0
Imports	1.7	.9	.4	.8
Total supply	19.9	21.3	23.8	24.1
Exports	7.1	7.7	8.0	11.0
Domestic disappearance	12.4	12.2	15.5	13.1
Ending stocks (Aug. 31)	.4	1.4	.3	—
Total distribution	19.9	21.3	23.8	24.1

[1] Revised. [2] Preliminary.

LIVESTOCK AND MEAT PRODUCTS

Japanese-British Meat Firm Being Formed in Australia

The Scottish Australian Company, a large pastoral firm, announced recently that British and Japanese interests are joining forces in a new Australian meat packing company primarily interested in processing for export. The new company, to be known as Consolidated Meat Holdings Pty, Ltd., will be owned in equal shares by CDFC Australia, Ltd., an offshoot of the London-based Commonwealth Development Finance Company, the Marubeni Corporation of Japan, and the Australian-based Scottish Australian Co., Ltd.

According to a CDFC official, the new company envisages considerable expansion in its export activities, with processing of beef, mutton, and pork mainly for shipments to Japan, the United States, and the EC.

The company will aim for daily processing capacity of about 950 head of cattle, 5,680 sheep, and 820 hogs.

Meat Imports Up for Month of September

Meat imports in September under P.L. 88-482 (The Meat Import Law) were recorded at 163.8 million pounds, 3 percent over September 1971. The total for the first three quarters of 1972 is now 997.9 million pounds, 16 percent over the same period last year. The largest quantitative increase was registered by Australia, which has provided 535.9 million pounds of meat in the first three quarters of 1972, 35 percent over the same period a year earlier.

U.S. IMPORTS OF MEAT SUBJECT TO MEAT IMPORT LAW,[1] BY COUNTRY OF ORIGIN

Country of origin	September		January-September		
	1971	1972 [2]	1971	1972 [2]	Change
	1,000 pounds	*1,000 pounds*	*1,000 pounds*	*1,000 pounds*	*Percent*
Australia	96,793	94,273	396,302	535,926	+35
New Zealand	38,137	42,833	192,972	208,345	+8
Mexico	3,190	7,048	62,625	60,329	−4
Canada	6,132	4,557	58,526	45,446	−22
Costa Rica	5	53	31,276	37,617	+20
Nicaragua	3,657	3,416	26,578	32,198	+21
Ireland	6,209	2,452	54,106	26,603	−51
Guatemala	1,569	3,765	16,114	18,917	+17
Honduras	1,113	2,411	11,945	15,592	+31
Dominican Republic	925	1,402	4,216	9,746	+131
El Salvador	—	840	—	2,823	—
Panama	521	474	1,904	2,817	+48
Haiti	250	238	910	1,482	+63
United Kingdom	145	—	1,298	37	−97
Total [3]	158,646	163,763	858,774	997,879	+16

[1] Fresh, frozen, and chilled beef, veal, mutton, and goat meat, including rejections. Excludes canned meat and other prepared or preserved meat products. [2] Preliminary. [3] May not add because of rounding.

U.S. IMPORTS OF MEAT SUBJECT TO MEAT IMPORT LAW (P.L. 88-482), BY KIND
[In millions of pounds]

Kind	September 1972 [1]	January-September 1972 [1]
1972:		
Subject to Meat Import Law [2]	163.8	997.9
Total beef and veal [3]	169.9	1,088.2
Total red meat [4]	204.8	1,483.0
1971:		
Subject to Meat Import Law [2]	158.6	858.8
Total beef and veal [3]	175.5	1,004.1
Total red meat [4]	221.4	1,364.6
1970:		
Subject to Meat Import Law [2]	107.6	912.1
Total beef and veal [3]	133.9	1,033.9
Total red meat [4]	164.4	1,387.6

[1] Preliminary. [2] Fresh, chilled, and frozen beef, veal, mutton, and goat meat, including rejections. [3] All forms, including canned and preserved. [4] Total beef, veal, pork, lamb, mutton, and goat.

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FOREIGN AGRICULTURE

Peruvian Ban Reduces Fish Oil Prospects (Continued from page 6)

tion. However, a substantial volume of fish oil was accumulated in bonded warehouses in Rotterdam earlier this year and will be a price-determining factor until eliminated.

The dimming of fish-oil production and export prospects followed a period of greatly expanded export activity by Peru. During the first 7 months of 1972, Peruvian exporters were moving fish oil abroad at such a pace that sales exceeded those in the 1971 period by 123,000 tons; consequently, stocks were greatly reduced. As a result, full-year 1972 exports of Peruvian fish oil will be slightly above last year's 275,000 tons to an estimated 290,000. Major destinations for these exports have been the Netherlands (including bonded warehouses in Rotterdam), West Germany, and the United Kingdom, as well as small quantities to Mainland China and Colombia.

The large first-half shipments by Peru were partly offset by smaller exports from other countries. Shipments from the United States and Japan dropped sharply in the first half—and their full-year 1972 totals will also be down—as a result of reduced catches.

Norway—the second largest exporter behind Peru—reduced its fish oil exports 14,000 tons during the first half of 1972 to 54,000 as a result of reduced output. However, attractive prices may lead Norway to dip into stocks and expand exports in the last half. Thus, its total 1972 sales could about equal those of 1971.

As a result of the reduced sales outside Peru, total world exports of fish oil in 1972 will ease to an estimated 575,000 tons from 609,000 in 1971. However, this figure represents a drop of nearly 150,000 tons from what exports would have been if they had followed the 1961-71 linear trend, which expanded by 35,000 tons a year. It also, of course, reflects a substantial depletion of exporters' stocks.

PERUVIAN FISH OIL: ESTIMATED SUPPLY AND DISTRIBUTION, CALENDAR YEARS 1968-72 WITH 1973 FORECAST

Item	1968	1969	1970	1971	1972 [1]	1973
	1,000 metric tons	*1,000 metric tons*	*1,000 metric tons*	*1,000 metric tons*	*1,000 metric tons*	*1,000 metric tons*
Stocks, January 1	76	20	70	130	190	50
Production	292	248	311	414	[3] 214	[4] 200
Imports	—	—	—	8	—	—
Total supply	368	268	381	552	404	250
Exports	313	154	198	283	[5] 290	150
Apparent consumption	35	44	53	79	64	50
Stocks, December 31	20	70	130	190	50	50
Total distribution	368	268	381	552	404	250
Fish catch	10,263	8,960	12,277	10,249	4,252	8,100
Apparent oil extraction rate	*Percent* 2.8	*Percent* 2.8	*Percent* 2.5	*Percent* 4.0	*Percent* 5.0	*Percent* 2.5

[1] Estimated. [2] Forecast. [3] Production during the January-July period with the assumption that fishing is not resumed until March of 1973. [4] Based on the Peruvian Government planned fishmeal production of 1.5 million tons (this implies a catch of 8.1 million tons, using an average meal extraction rate of 18.5 percent) and an average oil extraction rate of 2.5 percent. [5] Based on reported export commitments, with 268,900 tons exported during the January-June period.

1968-71 compiled from official and other sources; 1972 and 1973—FAS estimates and forecast.